MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2019/2020

BME2834 – MALAYSIAN ECONOMY

(All Sections/Groups)

12 OCTOBER 2019
2.30 pm- 4.30 pm
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. Including the cover page, this question paper consists of **FOUR (4) pages** of Section A and Section B questions.
2. Section A consists of **ONE (1)** case study and Section B consists of **TWO (2)** structured questions.
3. The marks for each question are given at the end of each question. The total marks for this examination are 100.
4. Answer **ALL** questions in the answer booklet provided.

SECTION A: CASE STUDY (60 MARKS)

Malaysia is business friendly and welcomes FDI — Dr Mahathir

KUALA LUMPUR (May 15): Prime Minister Tun Dr Mahathir Mohamad said Malaysia is business friendly and welcomes foreign direct investments (FDI) from all over the world, including China.

However, he had a different definition of FDI compared with the previous government.

He did not consider coming into Malaysia and buying up huge chunks of land, developing townships or cities and bringing in foreigners to live in the country as being FDI.

"FDI means bringing in capital and technology and setting up plants in Malaysia and (bringing) employees up to the level of executives, with products being either for the Malaysian market or export," he said in a video conference with The Wall Street Journal CEO Council Meeting in Tokyo today.

To him, China is a friend of Malaysia, but when it comes to FDI, there is a difference in terms of definition.

He said this in response to a question posed on concerns over China's deals in Malaysia.

"There are pieces of land sold to Chinese companies. They are building huge cities. One city in the South will have about 700,000 people. These cities being built are very expensive, with very luxurious apartments and such," he added.

He pointed out that not many Malaysians can afford to buy the units, and would also not be able to avail themselves of this new development.

"So, the thing is that, the people living in these cities will be foreigners, maybe from China or other countries. But any country would like to restraint immigrants from coming in large numbers. This is happening even in the United States or Europe today.

"And we have the same problem. We need to restrict immigrants and accept only a few in number that we can deal with or absorb," he explained.

To a question on the threat of a possible trade war between the United States and China, Dr Mahathir said Malaysia wanted the world to be at peace without any confrontation between countries which would affect the markets.

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Restrictions, sanctions and the likes of them as a consequence of a trade war will not be good for Malaysia as a trading nation, he said.

He also highlighted the need to consider the strengths and weaknesses of countries when coming up with the idea of a globalised world.

"You can't have weak countries competing with powerful countries. In a globalised world, we should have access to all countries. But, we should also consider the strength of these countries and avail to them some degree of protection," he said.

On whether Malaysia would be a very open economy or anticipates taking a different path, Dr Mahathir said it would depend on the situation, but as of now, there was no need for capital control unless people started fiddling with the currency value and depressing it.

"We want to be an open economy, we welcome foreign capital and we want to trade with the whole world. We want to be friendly with all countries of the world and we are business friendly," he added.

Source: Malaysia is business friendly and welcomes FDI - Dr Mahathir. (n.d.). Retrieved from http://www.mida.gov.my/home/6361/news/malaysia-is-business-friendlywelcomes-fdi----dr-mahathir/

Read the above article and answer the following questions:

a) *"Prime Minister Tun Dr Mahathir Mohamad said Malaysia is business friendly and welcomes foreign direct investments (FDI) from all over the world, including China. However, he had a different definition of FDI compared with the previous government."*
Refer to the above statement and describe the definition of foreign direct investments by the current Prime Minister. (8 marks)

b) Briefly explain the trade war between the United States and China. (4 marks)

c) Justify any **ONE (1)** negative impact of the trade war to Malaysia. (4 marks)

d) Explain any **FOUR (4)** reasons why foreign countries should invest in Malaysia. (16 marks)

e) Discuss any **FOUR (4)** benefits of foreign direct investment to Malaysia. (16 marks)

f) Examine any **FOUR (4)** pitfalls of foreign direct investment to Malaysia. (12 marks)

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SECTION B: STRUCTURED QUESTIONS (40 MARKS)

Question 1 (20 marks)

a) Describe any **TWO (2)** main reasons why the Malaysia government introduced the New Economic Model (NEM). (8 marks)

b) Examine any **FOUR (4)** remedial actions taken by Malaysia government to overcome the Asian Financial Crisis in 1997. (12 marks)

Question 2 (20 marks)

a) The National Education Blueprint (Higher Education), 2015 – 2025 is projected to produce ten outcomes for its stakeholders. Discuss any **FOUR (4)** outcomes. (12 marks)

b) Financial services refer to services provided by financial institutions that deals with direct and indirect financing. Describe any **FOUR (4)** targeted growth areas of Malaysia's financial services. (8 marks)

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